

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF ROOSEVELT PARK	County MUSKEGON
Fiscal Year End 11/30/06	Opinion Date 2/13/07	Date Audit Report Submitted to State 2/28/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NO OTHER ITEMS REQUIRED	
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number 231-726-5800	
Street Address TERRACE PLAZA SUITE 500		City MUSKEGON	State MI
		Zip 49443	
Authorizing CPA Signature <i>Timothy D. Arter, CPA for Brickley DeLong, PLC</i>		Printed Name TIMOTHY D. ARTER	License Number 10253

City of Roosevelt Park  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended November 30, 2006

City of Roosevelt Park

**TABLE OF CONTENTS**

Management’s Discussion and Analysis.....	i - x
Independent Auditors’ Report.....	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets (Deficits) .....	2
Statement of Activities .....	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	5
Statement of Revenues, Expenditures and Changes in Fund Balances .....	6
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	7
Proprietary Funds	
Statement of Net Assets.....	8
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	9
Statement of Cash Flows .....	10
Statement of Fiduciary Assets and Liabilities.....	11
Notes to Financial Statements .....	12
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund .....	27
Budgetary Comparison Schedule—Major Streets Fund .....	28
Other Supplemental Information	
Other Governmental Funds	
Combining Balance Sheet.....	30
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	31

As management of the City of Roosevelt Park, we present to the readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended November 30, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### FINANCIAL HIGHLIGHTS

- At the close of the fiscal year the City of Roosevelt Park had total assets of \$8,054,757 and total liabilities of \$1,098,074 leaving net assets of \$6,956,683, an increase of 20% in the City's overall net assets.
- Of the total \$6,956,683 in net assets, the City may use \$1,332,389 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors.
- Total revenues, including all program and general revenues, were \$4,904,735, made up of governmental revenues of \$3,189,780 and business-type revenues of \$1,714,955. Revenues for the City's Downtown Development Authority (DDA) were \$418,604.
- Total expenses for all of the City's programs were \$3,759,160. Of that total, the governmental expenses were \$2,395,647 and the business-type expenses were \$1,363,513. Expenses for the City's DDA were \$495,918.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. These statements are similar to those of a private sector business. Their purpose is to attempt to answer the question, is the City of Roosevelt Park, in its entirety, better or worse off as a result of this fiscal year's activities?

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the City include general government, public safety, public works and cultural and recreational activities. The business-type activities of the City include water distribution and sewer services.

The government-wide financial statements include not only the City (the primary government) but also the legally separate discretely presented component unit (Downtown Development Authority). The board of this organization is appointed by the City and given the interrelation of the two; there is some potential liability for the City due to the City's pledge of its full faith and credit for debt obligations. The financial information of this component unit is reported in a separate column from the financial information of the primary government itself.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Streets Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds.** The City has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for Water and Sewer funds both of which are major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

### Government-wide Financial Analysis

The first table presented on the next page is a summary of the government-wide statement of net assets for the City. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of November 30, 2006, the City's net assets from governmental activities totaled \$3,137,767 (45%) and \$3,818,916 (55%) from business-type activities, creating a total government-wide net assets total of \$6,956,683.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the City's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for government-type activities actually depict a balance of \$662,858. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

The business-type activities show a total of \$3,818,916 in net assets and \$669,531 (18%) in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$199,492 and \$478,180, respectively. Unrestricted net assets in the Sewer and Water funds declined by 61% and 19%, respectively, from the previous year.

Capital assets of governmental activities increased by \$806,642 (or 54%) due to three significant infrastructure projects (Glenside, Oak Ridge and Henry Street) and various other capital purchases. Correspondingly, net assets invested in capital assets, net of related debt also increased.

The increase of \$224,790 in current assets and other assets within the business-type activities is a primarily due to an increase in access rights in the Sewer Fund. The \$751,441 increase in capital assets is a result Glenside Avenue sewer and water line reconstruction, Henry Street water line reconstruction, a new water line at Wal-Mart, and Oak Ridge water line reconstruction. The \$496,361 increase in noncurrent liabilities is due to an increase in debt due to the County. The \$432,658 decrease in unrestricted net assets is reflective of the City spending current assets to purchase capital assets.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets and other assets	\$ 915,935	\$ 1,015,410	\$ 1,610,017	\$ 1,385,227	\$ 2,525,952	\$ 2,400,637
Capital assets	2,305,548	1,498,906	3,223,257	2,471,816	5,528,805	3,970,722
Total assets	3,221,483	2,514,316	4,833,274	3,857,043	8,054,757	6,371,359
Current liabilities	58,904	146,589	327,648	199,220	386,552	345,809
Noncurrent liabilities	24,812	24,093	686,710	190,349	711,522	214,442
Total liabilities	83,716	170,682	1,014,358	389,569	1,098,074	560,251
Net assets						
Invested in capital assets, net of related debt	2,305,548	1,498,906	3,149,385	2,365,285	5,454,933	3,864,191
Restricted	169,361	263,838	-	-	169,361	263,838
Unrestricted	662,858	580,890	669,531	1,102,189	1,332,389	1,683,079
Total net assets	\$ 3,137,767	\$ 2,343,634	\$ 3,818,916	\$ 3,467,474	\$ 6,956,683	\$ 5,811,108

The results of this year's operations for the City as a whole are reported in the statement of activities, which shows changes in net assets.

### Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 678,645	\$ 729,364	\$ 1,271,161	\$ 1,617,995	\$ 1,949,806	\$ 2,347,359
Operating grants	253,440	243,819	-	-	253,440	243,819
Capital grants and contributions	638,444	16,161	415,538	-	1,053,982	16,161
General revenues						
Property taxes	1,164,564	1,113,254	-	-	1,164,564	1,113,254
Franchise fees	36,340	36,332	-	-	36,340	36,332
Grants and contributions not restricted	339,042	344,903	-	-	339,042	344,903
Unrestricted investment earnings	50,959	23,980	28,256	21,449	79,215	45,429
Miscellaneous	28,346	10,576	-	-	28,346	10,576
Gain on sale of asset	-	686	-	-	-	686
Total revenues	3,189,780	2,519,075	1,714,955	1,639,444	4,904,735	4,158,519
Expenses:						
General government	548,176	576,851	-	-	548,176	576,851
Public safety	993,996	997,061	-	-	993,996	997,061
Public works	772,928	840,224	-	-	772,928	840,224
Culture and recreation	80,547	66,127	-	-	80,547	66,127
Sewer Fund	-	-	660,366	619,693	660,366	619,693
Water Fund	-	-	703,147	746,149	703,147	746,149
Total expenses	2,395,647	2,480,263	1,363,513	1,365,842	3,759,160	3,846,105
Change in net assets	794,133	38,812	351,442	273,602	1,145,575	312,414
Net assets - Beginning	2,343,634	2,304,822	3,467,474	3,193,872	5,811,108	5,498,694
Net assets - Ending	\$ 3,137,767	\$ 2,343,634	\$ 3,818,916	\$ 3,467,474	\$ 6,956,683	\$ 5,811,108

At year-end, on November 30, 2006, net assets increased by \$794,133 in governmental activities and \$351,442 in business-type activities. This resulted in an increase of \$1,145,575 government-wide.



### Governmental Activities

Total revenues increased by \$670,705 over the 2005 levels to \$3,189,780 due to a large grant received by the City from the State of Michigan for a street reconstruction project. Also tax revenues increased from 2005 to 2006 by \$51,310 due to growth in taxable value. Expenses for all governmental activities decreased by only \$84,616 as the City worked to contain costs and eliminated a position in the department of public works.

### Business-type activities

Charges for services decreased primarily due to a drop in connection fees as there were some large one-time hookups in the previous year. Capital contributions are water and sewer lines at the Wal-Mart site that were contributed to the City.

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the City governmental funds reported a combined unreserved fund balance of \$655,506. This number represents the unreserved fund balance \$464,234 in the General Fund, \$100,487 in the Major Streets Fund and \$90,785 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$16,621). When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$672,138, which consists of a fund balance of \$480,866 in the General Fund, \$100,487 in the Major Streets Fund plus the fund balance of \$90,785 in other governmental funds.

The General Fund had an increase in fund balance of \$116,822 compared to an increase of \$16,168 in the prior year. The increase was due to an increase in property tax revenue due to growth in taxable value and a decrease in expenditures as the City worked to contain costs and eliminated a position in the department of public works.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. Net assets in the Sewer Fund decreased by \$43,421 and the Water Fund increased by \$400,278. The result was an overall net increase in the proprietary funds of \$356,857. Most of the increase is attributable to the contribution of new water and sewer lines at the Wal-Mart site to the City.

### General Fund Budget

During the current fiscal year, the City made several amendments to its original budget. In total, General Fund expenditures came in under the budget as amended. Some of the more notable adjustments to individual departments include:

- The original property taxes budget was increased by \$26,497 due to more aggressive monitoring and collection of personal property taxes.
- The original other revenue budget was increased by \$21,390 to reflect the grant received for improvements at the Community Center, as well as some smaller increases in fines, rental fees and miscellaneous revenue.
- The original inspections budget was increased \$26,800 due to in part to the Wal-Mart project and in part to an unexpected increase in construction activity in several areas of the City, but especially along the Henry Street commercial corridor.
- The original public service budget was decreased \$25,850 primarily due to the impact of a smaller work force. Savings in wages, but especially in benefit costs were a result. In addition, the City did realize budgetary savings in street lighting costs in 2006.
- The original capital outlay budget was increased \$31,300 as the City received a grant to fund improvements at the community center.

The following comments summarize some of the major variations from the final budget to actual revenues and expenditures.

- Property taxes received were \$21,161 less than budgeted, as not all anticipated delinquent personal property tax was actually collected and collection fees and real property taxes both came in slightly lower than originally budgeted.
- Office operations expenditures were \$23,290 less than budgeted due to savings in wage and benefit costs by eliminating one of the part-time positions at the front office area. In addition the telephone system change-out caused by a lightening strike saved the City money in the first year of the lease. Finally, small equipment purchases were less than originally budgeted.
- Police department expenditures are \$38,539 less than budgeted almost solely due to budgetary estimates for overtime and benefit costs being slightly overstated. There were other minor line item savings in 2006 but nothing of real significance.
- Fire department expenditures were \$33,997 more than initially projected due to a cost assignment error in the budget.
- Public services are expenditures are \$29,148 less than budgeted due to savings in labor and benefit costs.

### Capital Assets

The City investment in capital assets for its governmental and business-type activities as of November 30, 2006 totaled \$5,528,805 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

- Accessibility improvements were made to the Community Center building and parking area totaling \$34,781.
- The City received two voting machines from the State of Michigan valued at \$6,792 each.
- Oak Ridge Road was reconstructed for \$251,899.
- Glenside Boulevard was reconstructed for \$631,466.
- A new sewer line was installed on Glenside for \$212,223.
- A new sewer line was installed at the Wal-Mart site and was paid for by Wal-Mart for \$61,422.
- A new water line was installed on Glenside for \$69,134.
- A new water line was installed on a portion of Henry Street (Broadway to Summit) for \$106,291.
- A new water line was installed at the Wal-Mart site and was paid for by Wal-Mart for \$277,933 and a water meter vault was installed for \$19,205.
- A new water line was installed on Oak Ridge for \$60,012.
- A new police car was purchased and outfitted for \$22,238.
- A new DPW pick-up truck was purchased for \$18,383.

### CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 295,147	\$ 295,147	\$ 600	\$ 600	\$ 295,747	\$ 295,747
Construction in progress	-	49,566	-	-	-	49,566
Land improvements	-	1,004	-	-	-	1,004
Buildings and improvements	544,484	530,203	-	-	544,484	530,203
Vehicles and equipment	280,027	294,775	-	-	280,027	294,775
Infrastructure	1,185,890	328,211	-	-	1,185,890	328,211
Sewer system	-	-	2,100,547	1,863,127	2,100,547	1,863,127
Water system	-	-	1,122,110	608,089	1,122,110	608,089
Total	<u>\$ 2,305,548</u>	<u>\$ 1,498,906</u>	<u>\$ 3,223,257</u>	<u>\$ 2,471,816</u>	<u>\$ 5,528,805</u>	<u>\$ 3,970,722</u>

Additional information on the City's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

### Long-term Debt

At the end of the 2006 fiscal year, the City had total outstanding debt of \$778,522 consisting of bonds and compensated absences. The \$737,710 in the business-type activities is backed by the full-faith and credit of the City. The payment of these bonds is through the revenues generated from the Water and Sewer funds.

### OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Compensated absences	\$ 40,812	\$ 37,093	\$ -	\$ -	\$ 40,812	\$ 37,093
General obligation bonds	-	-	737,710	253,349	737,710	253,349
Total	<u>\$ 40,812</u>	<u>\$ 37,093</u>	<u>\$ 737,710</u>	<u>\$ 253,349</u>	<u>\$ 778,522</u>	<u>\$ 290,442</u>

The City's total debt increased by \$488,080 during the fiscal year. This increase was due to additional borrowings by the Muskegon County Wastewater System required for various system improvements. Debt payoffs are covered by sewer rates paid by our residents and local businesses. Sewer rates were adjusted slightly upward in 2006 to deal with the impact of increased debt payments to Muskegon County.

In addition to the City's debt, the City's DDA component unit had outstanding debt of \$1,615,000. This debt is secured by the limited full faith and credit of the City and so is an important consideration in assessing the City's overall fiscal health.

Additional information on the City's long-term debt can be found in Note F of the "Notes to Financial Statements" of this report.

### **General Economic Overview**

The City continues to see fiscal accountability and financial stability as its number one priority. In these current times it is also our greatest challenge.

The City's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised some 68% of the General Fund revenue sources. In fiscal 2007, state revenue sharing is expected to be about the same as the prior year and property tax revenues are expected to remain fairly steady.

The State of Michigan continues to experience difficulties in balancing their budget. The future beyond the current fiscal year is therefore very cloudy as to the long-term stability of the revenue sharing system. Any additional shortfall in revenue sharing and/or any other future cuts in revenues will affect the services that are provided to the residents of Roosevelt Park. Unfortunately our residents and taxpayers have repeatedly heard about the decline in revenue sharing to the point where they might be immune to the difficulties that might lay ahead. The tipping point is truly close at hand for a small and nearly built-out community such as Roosevelt Park.

The City has undertaken a number of measures to balance the budget. Total staff size has declined in recent years. All commodity or capital purchases are carefully scrutinized in an attempt to determine necessity or if a less expensive alternative exists. Some services, especially in the park and recreation area, have been reduced. The annual solid waste collection service has been reconfigured in order to reduce costs and so the major component of curbside collection of refuse could remain intact. Health insurance cost increases for both active employees and retirees was a significant issue at the end of this fiscal year and it will carry forward into 2007. The City will need to remain vigilant as to all expenses in that it will be very difficult to realize any improvement to our various revenue streams.

The City Council and staff remain optimistic nonetheless that the City's quality of life will be further enhanced by several projects completed during this fiscal year. These include improvements needed at the Community Center, reconstruction of Glenside Boulevard from the railroad tracks to Greenwich Road, water main improvements along Glenside Boulevard and a water main upgrade along Henry Street.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Roosevelt Park's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Roosevelt Park, 900 Oak Ridge Road, Roosevelt Park, MI, 49441, (231) 755-3721.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

February 13, 2007

Honorable Mayor and Members  
of the City Council  
City of Roosevelt Park  
City of Roosevelt Park, Michigan

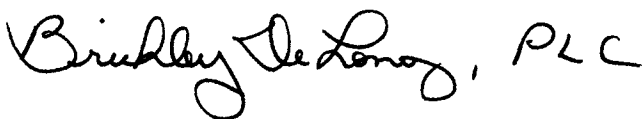
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park as of and for the year ended November 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Roosevelt Park's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park, as of November 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - x and 27 - 28 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roosevelt Park's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



City of Roosevelt Park  
**STATEMENT OF NET ASSETS (DEFICITS)**  
November 30, 2006

	ASSETS			
	Governmental activities	Business-type activities	Total	Component unit
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 796,066	\$ 688,478	\$ 1,484,544	\$ 220,748
Receivables	2,622	261,982	264,604	-
Due from other governmental units	92,074	-	92,074	-
Internal balances	8,141	(8,141)	-	-
Inventories	400	3,000	3,400	-
Prepaid items	16,632	860	17,492	-
Total current assets	915,935	946,179	1,862,114	220,748
<b>NONCURRENT ASSETS</b>				
Capital assets, net				
Nondepreciable	295,147	600	295,747	-
Depreciable	2,010,401	3,222,657	5,233,058	-
Access rights, net	-	663,838	663,838	-
Total noncurrent assets	2,305,548	3,887,095	6,192,643	-
Total assets	3,221,483	4,833,274	8,054,757	220,748
	<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	40,726	18,672	59,398	11,400
Due to other governmental units	2,178	257,976	260,154	-
Bonds and other obligations, due within one year	16,000	51,000	67,000	75,000
Total current liabilities	58,904	327,648	386,552	86,400
<b>NONCURRENT LIABILITIES</b>				
Bonds and other obligations, less amounts due within one year	24,812	686,710	711,522	1,540,000
Total liabilities	83,716	1,014,358	1,098,074	1,626,400
<b>NET ASSETS (DEFICITS)</b>				
Invested in capital assets, net of related debt	2,305,548	3,149,385	5,454,933	-
Restricted for streets and highways	169,361	-	169,361	-
Unrestricted	662,858	669,531	1,332,389	(1,405,652)
Total net assets (deficits)	\$ 3,137,767	\$ 3,818,916	\$ 6,956,683	\$ (1,405,652)

The accompanying notes are an integral part of this statement.

City of Roosevelt Park  
**STATEMENT OF ACTIVITIES**  
For the year ended November 30, 2006

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			Component unit
					Governmental activities	Business-type activities	Total	
Primary government								
Governmental activities								
General government	\$ 548,176	\$ 4,870	\$ -	\$ 13,584	\$ (529,722)	\$ -	\$ (529,722)	\$ -
Public safety	993,996	146,580	451	-	(846,965)	-	(846,965)	-
Public works	772,928	518,643	241,949	621,860	609,524	-	609,524	-
Culture and recreation	80,547	8,552	11,040	3,000	(57,955)	-	(57,955)	-
Total governmental activities	2,395,647	678,645	253,440	638,444	(825,118)	-	(825,118)	-
Business-type activities								
Sewer	660,366	539,682	-	61,422	-	(59,262)	(59,262)	-
Water	703,147	731,479	-	354,116	-	382,448	382,448	-
Total business-type activities	1,363,513	1,271,161	-	415,538	-	323,186	323,186	-
Total primary government	\$ 3,759,160	\$ 1,949,806	\$ 253,440	\$ 1,053,982	(825,118)	323,186	(501,932)	-
Component unit								
Downtown Development Authority								
General government	\$ 25,700	\$ -	\$ -	\$ -	-	-	-	(25,700)
Public safety	63,996	-	-	-	-	-	-	(63,996)
Public works	336,072	-	-	-	-	-	-	(336,072)
Interest on long-term debt	70,150	-	-	-	-	-	-	(70,150)
Total component unit	\$ 495,918	\$ -	\$ -	\$ -	-	-	-	(495,918)
General revenues								
Property taxes					1,164,564	-	1,164,564	387,524
Franchise fees					36,340	-	36,340	-
Grants and contributions not restricted to specific programs					339,042	-	339,042	-
Unrestricted investment earnings					50,959	28,256	79,215	31,080
Miscellaneous					28,346	-	28,346	-
Total general revenues					1,619,251	28,256	1,647,507	418,604
Change in net assets					794,133	351,442	1,145,575	(77,314)
Net assets (deficit) at December 1, 2005					2,343,634	3,467,474	5,811,108	(1,328,338)
Net assets (deficit) at November 30, 2006					\$ 3,137,767	\$ 3,818,916	\$ 6,956,683	\$ (1,405,652)

The accompanying notes are an integral part of this statement.



City of Roosevelt Park  
**BALANCE SHEET**  
Governmental Funds  
November 30, 2006

	General Fund	Major Streets Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and investments	\$ 438,545	\$ 78,701	\$ 82,545	\$ 599,791
Accounts receivable	1,266	-	-	1,266
Due from other governmental units	58,907	24,005	9,162	92,074
Prepaid items	16,632	-	-	16,632
Total assets	<u>\$ 515,350</u>	<u>\$ 102,706</u>	<u>\$ 91,707</u>	<u>\$ 709,763</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 19,431	\$ 41	\$ 922	\$ 20,394
Accrued liabilities	15,053	-	-	15,053
Due to other governmental funds	-	2,178	-	2,178
Total liabilities	34,484	2,219	922	37,625
Fund balances				
Reserved for prepaid items	16,632	-	-	16,632
Unreserved, undesignated				
General Fund	464,234	-	-	464,234
Special revenue funds	-	100,487	90,785	191,272
Total fund balances	480,866	100,487	90,785	672,138
Total liabilities and fund balances	<u>\$ 515,350</u>	<u>\$ 102,706</u>	<u>\$ 91,707</u>	<u>\$ 709,763</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
November 30, 2006

Total fund balance—governmental funds	\$	672,138
---------------------------------------	----	---------

Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 2,690,492	
Accumulated depreciation	<u>(480,157)</u>	2,210,335

Long-term liabilities in governmental activities are not due and payable in the  
current period and are not reported in the governmental funds.

Compensated absences	(40,812)
----------------------	----------

Internal service funds are used by management to charge the costs of certain activities  
to individual funds. The assets and liabilities of the internal service funds are reported  
with governmental activities in the Statement of Net Assets.

	<u>296,106</u>
Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>3,137,767</u></u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended November 30, 2006

	General Fund	Major Streets Fund	Other governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 1,164,564	\$ -	\$ -	\$ 1,164,564
Licenses and permits	175,924	-	-	175,924
Intergovernmental revenues				
Federal	-	385,950	-	385,950
State	356,542	159,894	61,056	577,492
Charges for services	508,967	-	-	508,967
Fines and forfeitures	8,402	-	-	8,402
Investment earnings	40,948	8,052	2,927	51,927
Other	41,020	10,094	20,400	71,514
Total revenues	<u>2,296,367</u>	<u>563,990</u>	<u>84,383</u>	<u>2,944,740</u>
EXPENDITURES				
Current				
General government	510,004	-	-	510,004
Public safety	979,033	-	-	979,033
Public works	591,730	678,065	44,311	1,314,106
Culture and recreation	44,222	-	12,220	56,442
Other governmental functions	16,218	-	-	16,218
Capital outlay	48,365	-	-	48,365
Total expenditures	<u>2,189,572</u>	<u>678,065</u>	<u>56,531</u>	<u>2,924,168</u>
Excess of revenues over (under) expenditures	106,795	(114,075)	27,852	20,572
OTHER FINANCING SOURCES (USES)				
Transfers in	10,027	-	-	10,027
Transfers out	-	-	(10,027)	(10,027)
Total other financing sources (uses)	<u>10,027</u>	<u>-</u>	<u>(10,027)</u>	<u>-</u>
Net change in fund balances	116,822	(114,075)	17,825	20,572
Fund balances at December 1, 2005	<u>364,044</u>	<u>214,562</u>	<u>72,960</u>	<u>651,566</u>
Fund balances at November 30, 2006	<u>\$ 480,866</u>	<u>\$ 100,487</u>	<u>\$ 90,785</u>	<u>\$ 672,138</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended November 30, 2006

Net change in fund balances—total governmental funds	\$	20,572
--	----	--------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (60,764)	
Capital outlay	<u>646,252</u>	585,488

Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.		235,910
--	--	---------

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		(3,719)
--	--	---------

Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the Statement of Net Assets.		(806)
---	--	-------

The internal service funds are used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities.		<u>(43,312)</u>
---	--	-----------------

Change in net assets of governmental activities	\$	<u><u>794,133</u></u>
---	----	-----------------------

The accompanying notes are an integral part of this statement.

City of Roosevelt Park  
**STATEMENT OF NET ASSETS**  
 Proprietary Funds  
 November 30, 2006  
 ASSETS

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
CURRENT ASSETS				
Cash and investments	\$ 191,697	\$ 496,781	\$ 688,478	\$ 196,275
Accounts receivable	113,729	148,253	261,982	1,356
Inventories	-	3,000	3,000	400
Prepaid items	-	860	860	-
Total current assets	305,426	648,894	954,320	198,031
NONCURRENT ASSETS				
Capital assets				
Land	-	600	600	-
Utility systems	2,945,001	1,514,976	4,459,977	-
Buildings and improvements	-	16,029	16,029	-
Vehicles and equipment	-	-	-	608,324
Less accumulated depreciation	(844,454)	(408,895)	(1,253,349)	(513,111)
Net capital assets	2,100,547	1,122,710	3,223,257	95,213
Access rights, net	663,838	-	663,838	-
Total noncurrent assets	2,764,385	1,122,710	3,887,095	95,213
Total assets	3,069,811	1,771,604	4,841,415	293,244
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	6,122	10,450	16,572	5,279
Accrued liabilities	2,100	-	2,100	-
Due to other governmental units	97,712	160,264	257,976	-
Bonds and other obligations, due within one year	51,000	-	51,000	-
Total current liabilities	156,934	170,714	327,648	5,279
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	686,710	-	686,710	-
Total liabilities	843,644	170,714	1,014,358	5,279
NET ASSETS				
Invested in capital assets, net of related debt	2,026,675	1,122,710	3,149,385	95,213
Unrestricted	199,492	478,180	677,672	192,752
Total net assets	\$ 2,226,167	\$ 1,600,890	3,827,057	\$ 287,965
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(8,141)	
Net assets of business-type activities			\$ 3,818,916	

The accompanying notes are an integral part of this statement.

City of Roosevelt Park  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
Proprietary Funds  
For the year ended November 30, 2006

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
REVENUES				
Charges for services	\$ 539,682	\$ 731,479	\$ 1,271,161	\$ 110,697
OPERATING EXPENSES				
Administration	81,505	109,575	191,080	17,964
Operations	511,207	572,378	1,083,585	96,016
Depreciation and amortization	55,411	18,554	73,965	55,379
Total operating expenses	648,123	700,507	1,348,630	169,359
Operating income (loss)	(108,441)	30,972	(77,469)	(58,662)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	13,066	15,190	28,256	9,936
Interest expense	(9,468)	-	(9,468)	-
Total nonoperating revenues (expenses)	3,598	15,190	18,788	9,936
Income (loss) before capital contributions	(104,843)	46,162	(58,681)	(48,726)
Capital contributions	61,422	354,116	415,538	-
Change in net assets	(43,421)	400,278	356,857	(48,726)
Net assets at December 1, 2005	2,269,588	1,200,612		336,691
Net assets at November 30, 2006	\$ 2,226,167	\$ 1,600,890		\$ 287,965
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds			(5,414)	
Change in net assets of business-type activities			\$ 351,443	

The accompanying notes are an integral part of this statement.

City of Roosevelt Park  
**STATEMENT OF CASH FLOWS**  
 Proprietary Funds  
 For the year ended November 30, 2006

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 557,461	\$ 758,908	\$ 1,316,369	\$ -
Receipts from interfund services provided	-	-	-	110,697
Payments to suppliers	(482,869)	(550,615)	(1,033,484)	(75,079)
Payments to employees	(49,750)	(38,117)	(87,867)	(36,218)
Payment for interfund services used	(5,357)	(5,090)	(10,447)	-
Net cash provided by (used for) operating activities	19,485	165,086	184,571	(600)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	61,422	354,116	415,538	-
Purchases of capital assets	(273,645)	(532,574)	(806,219)	(40,621)
Principal paid on capital debt	(51,844)	-	(51,844)	-
Interest paid on capital debt	(11,068)	-	(11,068)	-
Net cash used for capital and related financing activities	(275,135)	(178,458)	(453,593)	(40,621)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investment earnings	13,066	15,190	28,256	9,936
Net increase (decrease) in cash and investments	(242,584)	1,818	(240,766)	(31,285)
Cash and investments at December 1, 2005	434,281	494,963	929,244	227,560
Cash and investments at November 30, 2006	<u>\$ 191,697</u>	<u>\$ 496,781</u>	<u>\$ 688,478</u>	<u>\$ 196,275</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (108,441)	\$ 30,972	\$ (77,469)	\$ (58,662)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation and amortization expense	55,411	18,554	73,965	55,379
Change in assets and liabilities				
Receivables, net	17,779	27,429	45,208	-
Prepaid items	842	-	842	-
Accounts payable	3,672	(10,296)	(6,624)	2,683
Due to other governmental units	50,222	98,427	148,649	-
Net cash provided by (used for) operating activities	<u>\$ 19,485</u>	<u>\$ 165,086</u>	<u>\$ 184,571</u>	<u>\$ (600)</u>
Noncash financing activities				
Assumption of additional County debt	\$ 568,539	\$ -	\$ 568,539	\$ -
Relief of guaranteed County debt	(32,334)	-	(32,334)	-

The accompanying notes are an integral part of this statement.

City of Roosevelt Park  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
November 30, 2006

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>38,993</u>
<b>LIABILITIES</b>	
Due to other governmental units	\$ <u>38,993</u>

The accompanying notes are an integral part of this statement.



City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS**  
November 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Roosevelt Park (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

***Reporting Entity***

The City is a municipal corporation governed by an elected mayor and six-member City Council and is administered by a city manager appointed by the City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a November 30 fiscal year end.

***Discretely Presented Component Unit***

*City of Roosevelt Park Downtown Development Authority.* The Authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the City's downtown district. Board members of the DDA are appointed by the City and the Authority is fiscally dependent on the City since the council approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund is used to account for gas and weight tax allocations to the City by the Michigan Department of Transportation for construction and maintenance of the City's major streets.

The City reports the following two major proprietary funds:

The Sewer Fund operates the City's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

The Water Fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

Internal Service Funds account for equipment management services provided to other funds of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity.

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the City's investment pool.

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the City totaled approximately \$108,000,000 of which approximately \$12,800,000 was captured by the component unit. The ad valorem taxes levied consisted of 11.6 mills for the City's operating purposes. This amount is recognized in the General Fund with captured amounts shown in the DDA component unit.

**Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Capital Assets—Continued**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include only items acquired since December 1, 2003 as allowed by generally accepted accounting principles.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-40
Office furniture and equipment	5-30
Vehicles and equipment	5-10
Infrastructure	10-50

**Compensated Absences**

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to October 31, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- c. Not later than October 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplemental budgetary appropriations throughout the year.

**Excess of Expenditures Over Appropriations**

During the year ended November 30, 2006, actual expenditures exceeded appropriations for:

	Amended budget	Actual
General Fund		
Fire department	\$ 203,979	\$ 237,976
Parks	38,018	44,222
Capital outlay	36,300	48,365

These overexpenditures were funded with available fund balance.

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE C—DEPOSITS AND INVESTMENTS**

As of November 30, 2006, the City had the following investments:

Investment Type	Fair value	Weighted average maturity (Months)	Moody's	Percent
Money market mutual fund	\$ 150,474	1	AAA	11.4 %
U.S. Agency obligations	889,779	19	AAA	67.1
Negotiable certificates of deposit	231,904	9	not rated	17.5
Mortgage backed securities	<u>53,558</u>	<u>11</u>	AAA	<u>4.0</u>
Total fair value	<u>\$ 1,325,715</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>15</u>		

**Interest rate risk.** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The City has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The City does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the City's investments are in negotiable certificates of deposit issued by Mercantile Bank and Community Central Bank and U.S. Agency Obligations issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. These investments are 7.32 percent, 7.46 percent, 22.2 percent, 11.19 percent and 37.45 percent, respectively, of the City's investments.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of November 30, 2006, \$334,979 of the City's bank balance of \$534,979 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The City does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The City is not authorized to invest in investments which have this type of risk.

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended November 30, 2006 was as follows:

	Balance December 1, 2005	Additions	Deductions	Balance November 30, 2006
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 295,147	\$ -	\$ -	\$ 295,147
Construction in progress	49,566	-	49,566	-
Total capital assets, not being depreciated	344,713	-	49,566	295,147
<b>Capital assets, being depreciated:</b>				
Land improvements	57,023	-	-	57,023
Buildings and improvements	805,520	34,781	-	840,301
Vehicles and equipment	823,290	54,206	-	877,496
Infrastructure	345,485	883,364	-	1,228,849
Total capital assets, being depreciated	2,031,318	972,351	-	3,003,669
<b>Less accumulated depreciation:</b>				
Land improvements	56,019	1,004	-	57,023
Buildings and improvements	275,317	20,500	-	295,817
Vehicles and equipment	528,515	68,954	-	597,469
Infrastructure	17,274	25,685	-	42,959
Total accumulated depreciation	877,125	116,143	-	993,268
Total capital assets, being depreciated, net	1,154,193	856,208	-	2,010,401
Capital assets, net	\$ 1,498,906	\$ 856,208	\$ 49,566	\$ 2,305,548
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 600	\$ -	\$ -	\$ 600
<b>Capital assets, being depreciated:</b>				
Sewer system	2,671,356	273,645	-	2,945,001
Water system	1,005,167	532,575	6,737	1,531,005
Total capital assets, being depreciated	3,676,523	806,220	6,737	4,476,006



City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE D—CAPITAL ASSETS—Continued**

	Balance December 1, 2005	Additions	Deductions	Balance November 30, 2006
<b>Business-type activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Sewer system	\$ 808,229	\$ 36,225	\$ -	\$ 844,454
Water system	<u>397,078</u>	<u>18,554</u>	<u>6,737</u>	<u>408,895</u>
Total accumulated depreciation	<u>1,205,307</u>	<u>54,779</u>	<u>6,737</u>	<u>1,253,349</u>
Total capital assets, being depreciated, net	<u>2,471,216</u>	<u>751,441</u>	<u>-</u>	<u>3,222,657</u>
Capital assets, net	<u><u>\$ 2,471,816</u></u>	<u><u>\$ 751,441</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,223,257</u></u>

**Depreciation**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 21,210
Public works	28,941
Culture and recreation	10,613
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	<u>55,379</u>
	<u><u>\$ 116,143</u></u>

**Business-type activities:**

Sewer	\$ 36,225
Water	<u>18,554</u>
	<u><u>\$ 54,779</u></u>

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE E—ACCESS RIGHTS**

Access rights activity for the year ended November 30, 2006 was as follows:

	Balance December 1, 2005	Additions	Deductions	Balance December 31, 2006
Business-type activities				
Access rights	\$ 270,435	\$ 568,539	\$ 33,355	\$ 805,619
Less accumulated amortization	<u>123,617</u>	<u>19,186</u>	<u>1,022</u>	<u>141,781</u>
Access rights, net	<u>\$ 146,818</u>	<u>\$ 549,353</u>	<u>\$ 32,333</u>	<u>\$ 663,838</u>

**Amortization**

Amortization expense has been charged to sewer.

**NOTE F—INTERFUND TRANSFERS**

The transfer in of \$10,027 in the General Fund is from the closing of the Special Assessment Fund.

**NOTE G—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the City for the year ended November 30, 2006.

	Balance December 1, 2005	Additions	Reductions	Balance November 30, 2006	Due within one year
<b>Governmental activities:</b>					
Compensated absences	\$ <u>37,093</u>	\$ <u>108,647</u>	\$ <u>104,928</u>	\$ <u>40,812</u>	\$ <u>16,000</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ <u>253,349</u>	\$ <u>568,539</u>	\$ <u>84,178</u>	\$ <u>737,710</u>	\$ <u>51,000</u>
<b>Component unit:</b>					
General obligation bonds	\$ <u>1,680,000</u>	\$ <u>-</u>	\$ <u>65,000</u>	\$ <u>1,615,000</u>	\$ <u>75,000</u>

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE G—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Business-type activities:**

**General obligation bonds:**

\$170,136 Muskegon County Wastewater  
Management System; payable in  
annual installments of \$50,871 to  
\$51,357 through July 2008; interest  
at 5% \$ 102,228

\$1,167,250 Muskegon County Wastewater  
Management contract payable beginning in 2008;  
interest at 1.625% 635,482  
\$ 737,710

**Component unit:**

**General obligation bonds:**

\$1,825,000 General Obligation Limited Tax  
Bonds of 2002; payable in annual  
installments of \$75,000 to \$225,000  
through October 2018; interest at rates  
varying from 3.2% to 4.7% \$ 1,615,000

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund

The County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The City has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the City. Current debt service requirements are funded by sewer revenues.

Annual debt service requirements to maturity for debt outstanding as of November 30, 2006 follows:

Year ending November 30,	Business-type activities		Component unit	
	Principal	Interest	Principal	Interest
2007	\$ 51,000	\$ 5,111	\$ 75,000	\$ 68,582
2008	686,710	2,544	75,000	66,183
2009	-	-	75,000	63,557
2010	-	-	95,000	60,783
2011	-	-	100,000	56,982
2012-2016	-	-	770,000	207,053
2017-2018	-	-	425,000	30,350
	<u>\$ 737,710</u>	<u>\$ 7,655</u>	<u>\$ 1,615,000</u>	<u>\$ 553,490</u>

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE H—OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Post-Retirement Health Care**

The City has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were six retired employees receiving benefits. The City finances the Plan on a pay-as-you-go basis. For the year ended November 30, 2006, the City's post-retirement health care cost under the Plan was approximately \$56,000.

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Pension Plan**

*Plan Description.* The City of Roosevelt Park is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City of Roosevelt Park. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Roosevelt Park  
900 Oak Ridge Road  
Roosevelt Park, MI 49441

*Funding Policy.* Plan members are not required to contribute to the plan. The City is required to contribute at an actuarially-determined rate of 14.13 to 16.44 percent of covered wages.

*Annual Pension Cost.* For the year ended City of Roosevelt Park, the City's annual pension cost was approximately \$105,000 which the City contributed. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

**Three-Year Trend Information**

Year ending	Approximate Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
11/30/04	\$ 99,000	100 %	\$ -
11/30/05	101,000	100	-
11/30/06	105,000	100	-

**REQUIRED SUPPLEMENTARY INFORMATION**

*Schedule of Funding Progress*

(Dollar amounts in thousands)

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/03	\$ 2,432	\$ 2,749	\$ 317	88 %	\$ 686	46 %
12/31/04	2,583	3,096	513	83	714	72
12/31/05	2,712	3,282	570	83	646	88

City of Roosevelt Park  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
November 30, 2006

**NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued**

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of Roosevelt Park  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended November 30, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,159,228	\$ 1,185,725	\$ 1,164,564	\$ (21,161)
Licenses and permits	174,200	176,420	175,924	(496)
Intergovernmental revenues - State	348,087	348,457	356,542	8,085
Charges for services	506,126	506,126	508,967	2,841
Fines and forfeitures	9,200	11,700	8,402	(3,298)
Investment earnings	23,250	29,160	40,948	11,788
Other	24,100	45,490	41,020	(4,470)
Total revenues	2,244,191	2,303,078	2,296,367	(6,711)
EXPENDITURES				
Current				
General government				
City Council	14,373	12,373	8,201	4,172
City manager	98,384	97,384	94,244	3,140
Clerk	84,061	78,561	72,246	6,315
Treasurer	72,244	71,244	64,500	6,744
Assessor	30,160	30,160	27,853	2,307
Attorney	23,500	34,700	30,363	4,337
Office operations	103,964	97,964	74,674	23,290
Personnel	68,950	65,950	55,773	10,177
City hall, garage and grounds	78,080	85,580	82,150	3,430
Public safety				
Police department	673,576	684,288	645,749	38,539
Fire department	203,979	203,979	237,976	(33,997)
Inspections	66,826	93,626	95,308	(1,682)
Public works				
Public service	462,383	436,533	407,385	29,148
Sidewalks	5,050	5,650	5,335	315
Sanitation	181,114	181,114	179,010	2,104
Culture and recreation				
Parks	35,918	38,018	44,222	(6,204)
Other governmental functions	17,320	17,320	16,218	1,102
Capital outlay	5,000	36,300	48,365	(12,065)
Total expenditures	2,224,882	2,270,744	2,189,572	81,172
Excess of revenues over (under) expenditures	19,309	32,334	106,795	74,461
OTHER FINANCING SOURCES				
Transfers in	-	-	10,027	10,027
Net change in fund balance	\$ 19,309	\$ 32,334	116,822	\$ 84,488
Fund balance at December 1, 2005			364,044	
Fund balance at November 30, 2006			\$ 480,866	



City of Roosevelt Park  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Major Streets Fund  
For the year ended November 30, 2006

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal	\$ 384,000	\$ 384,000	\$ 385,950	\$ 1,950
State	158,894	158,894	159,894	1,000
Investment earnings	-	6,700	8,052	1,352
Other	<u>14,032</u>	<u>14,132</u>	<u>10,094</u>	<u>(4,038)</u>
Total revenues	556,926	563,726	563,990	264
EXPENDITURES				
Current				
Public works	<u>682,603</u>	<u>704,803</u>	<u>678,065</u>	<u>26,738</u>
Net change in fund balance	\$ <u><u>(125,677)</u></u>	\$ <u><u>(141,077)</u></u>	(114,075)	\$ <u><u>27,002</u></u>
Fund balance at December 1, 2005			<u>214,562</u>	
Fund balance at November 30, 2006			\$ <u><u>100,487</u></u>	

## **OTHER SUPPLEMENTAL INFORMATION**

City of Roosevelt Park  
**COMBINING BALANCE SHEET**

Other Governmental Funds

November 30, 2006

		Special Revenue		Capital Projects
	Total other governmental funds	Local Streets	Roosevelt Park Day	Special Assessment
ASSETS				
Cash and investments	\$ 82,545	\$ 60,599	\$ 21,946	\$ -
Due from other governmental units	9,162	9,162	-	-
Total assets	<u>\$ 91,707</u>	<u>\$ 69,761</u>	<u>\$ 21,946</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 922	\$ 887	\$ 35	\$ -
Fund balances				
Unreserved				
Undesignated	90,785	68,874	21,911	-
Total liabilities and fund balances	<u>\$ 91,707</u>	<u>\$ 69,761</u>	<u>\$ 21,946</u>	<u>\$ -</u>

City of Roosevelt Park  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Other Governmental Funds  
 For the year ended November 30, 2006

	Total other governmental funds	Special Revenue		Capital Projects
		Local Streets	Roosevelt Park Day	Special Assessment
REVENUES				
Intergovernmental revenues - State	\$ 61,056	\$ 61,056	\$ -	\$ -
Investment earnings	2,927	2,853	-	74
Other	20,400	-	19,594	806
Total revenues	84,383	63,909	19,594	880
EXPENDITURES				
Current				
Public works	44,311	44,311	-	-
Culture and recreation	12,220	-	12,220	-
Total expenditures	56,531	44,311	12,220	-
Excess of revenues over expenditures	27,852	19,598	7,374	880
OTHER FINANCING USES				
Transfers out	(10,027)	-	-	(10,027)
Net change in fund balances	17,825	19,598	7,374	(9,147)
Fund balances at December 1, 2005	72,960	49,276	14,537	9,147
Fund balances at November 30, 2006	\$ 90,785	\$ 68,874	\$ 21,911	\$ -

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

February 13, 2007

City Council  
City of Roosevelt Park  
Roosevelt Park, Michigan

In planning and performing our audit of the financial statements of the City of Roosevelt Park for the year ended November 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of Roosevelt Park's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

## REPORTABLE CONDITIONS

### *General*

Recommendation 1: Bank reconciliations should be reviewed and approved by the City Manager.

During our examination, we noted that bank account reconciliations are presently not being reviewed and approved by the City Manager. This review procedure is to determine whether all bank and general ledger activity for each month has been properly reconciled and that any unusual reconciling items have been investigated and resolved.

This review and approval of bank reconciliations by the City Manager would strengthen the review process of cash transactions.

Recommendation 2: The general ledger and customer detail of utility billings accounts receivable should be reconciled monthly.

During our examination, we noted that the accounts receivable on the general ledger does not agree with the customer detail report.

The monthly preparation of a reconciliation of detailed accounts receivable customer detail reports with the general ledger would reduce the opportunity for errors or misappropriations of funds to go undetected.

### *Credit cards*

Recommendation 3: Credit card statements should have appropriate supporting documentation attached.

During our examination, we noted several instances in which the City paid credit card invoices without proper supporting documents attached.

Proper supporting documentation would reduce the possibility of incorrect payment of credit card invoices or City funds being misappropriated.